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**VIA ECFS**

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Chairman Julius Genachowski  
Commissioner Michael Copps  
Commissioner Robert McDowell  
Commissioner Mignon Clyburn  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, DC 20554

**Re: WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket No. 01-92, 96-45, and GN Docket 09-51**

Dear Mr. Chairman and Commissioners:

BT Americas Inc. responds to the Commission's further inquiry into USF and intercarrier compensation issues<sup>1</sup> on behalf of itself and BT plc's other wholly-owned indirect U.S. subsidiaries ("BT"). Specifically BT responds to the proposal in the America's Broadband Connectivity ("ABC") Plan that the Commission decide that IP-to-IP interconnection should be wholly unregulated now and into the future. In BT's view, this would be a premature and imprudent decision for the Commission to make. IP-to-IP interconnection is in the early stages of its evolution with respect to QoS enabled-services for business-grade VOIP and video conferencing. It is unclear whether existing bottlenecks will continue or new ones will emerge. Other regulators who have examined IP interconnection issues are proceeding cautiously. The European Regulator's Group, for instance, warns that QoS discrepancies could emerge between a larger operator's services and interconnecting operators as networks transition to next generation networks, or that a facilities-based network provider could control relevant functions using a separate or enhanced version of interfaces to the ones it offers competitors and

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<sup>1</sup> *Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding*, Public Notice, WC Dkt. 10-90 et al (Aug. 3, 2011).

therefore frustrate nondiscriminatory access to networks. It recommends that regulators remain vigilant to prevent anticompetitive behaviour from operators with market power.<sup>2</sup>

BT supports the more prudent approach to IP interconnection advocated by Ad Hoc, Sprint, Skype, Vonage and Google in their filing of August 18, 2011 in the above-referenced dockets. The Commission should clarify that it has the authority to regulate IP-to-IP interconnection, but should not adopt specific rules regulating IP interconnection at this time. If, as IP-to-IP interconnection becomes the prevalent form of interconnection, and enduring bottlenecks emerge, then at such time, the Commission can adopt rules appropriate to address specific bottlenecks and abuses that occur.

Verizon itself is not prepared to declare IP interconnection regulation unnecessary, at least not in the UK.<sup>3</sup> It states that “[i]ndustry as a whole is still at the stage of determining how IP interconnection will work” and that it cannot provide comments on IP interconnection charging because such comments “would be theoretical at this time.”<sup>4</sup> So, in the UK, Verizon is uncertain how IP interconnection will evolve. Yet, in the USA, where Verizon exercises unregulated or lightly-regulated duopoly or monopoly control over in-region access services, it is certain that IP interconnection regulation is unnecessary. Verizon also argues for activist regulation of broadband and next generation access in the UK which is the opposite of what it advocates in the USA.<sup>5</sup> Clearly, the arguments by Verizon and other incumbents in favor of the Commission declaring IP interconnection regulation unnecessary are driven by their dominant positions and interests in the USA. The reality is that they themselves do not know how IP interconnection will evolve nor what bottlenecks may emerge, but seek to perpetuate whatever advantage may be derived from dominating in-region access facilities in the USA.

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<sup>2</sup> *ERG Common Statement on Regulatory Principles of IP-IC/NGN Core* (08)26 (2008) at 81-82, available at [http://erg.eu.int/documents/erg/index\\_en.htm](http://erg.eu.int/documents/erg/index_en.htm).

<sup>3</sup> This is ironic given that in the UK, BT’s assets are subject to more nondiscrimination and transparency regulation than incumbents are in the USA. In the UK, BT’s bottleneck assets are subject to two layers of regulation – one as a result of Ofcom’s implementation of the EC’s regulatory framework whereby Ofcom has imposed remedies such as wholesale/retail accounting separation and cost-oriented price regulation of bottleneck services, and the second from undertakings BT agreed with Ofcom whereby Ofcom required BT to offer services that Ofcom expected to be characterized by enduring bottlenecks via a separate organization. This organization is incentivized to offer services on a wholly nondiscriminatory arms-length basis to BT’s downstream businesses and BT’s competitors.

<sup>4</sup> *Verizon Business Response to Ofcom Consultation - Fair and Reasonable charges for fixed geographic call termination* (Nov. 2010), available at [http://stakeholders.ofcom.org.uk/binaries/consultations/778516/responses/Verizon\\_Business.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/778516/responses/Verizon_Business.pdf).

<sup>5</sup> It advocates the creation of “business-grade FTTC and FTTH [wholesale] products” because it has the potential to be “absolutely transformative for the UK.” *Verizon Business Response to Ofcom - BCMR Call for Inputs* (June 2011), available at <http://stakeholders.ofcom.org.uk/binaries/consultations/bcmr-inputs/responses/Verizon.pdf>.

For the reasons stated above, BT believes the Commission should be cautious about ceding jurisdiction to regulate IP-to-IP interconnection especially where access bottlenecks are not subject to effective regulation. The Commission should clarify its authority to regulate IP-to-IP interconnection, adopt a “wait and see” approach and step in to adopt targeted regulations if anticompetitive abuses emerge.

Respectfully submitted,

/s/

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